



FERS and the annuity supplement

Frequently, our Retirement Office receives questions regarding the Federal Employees Retirement System's (FERS) supplemental annuity. Most of the questions involve asking us to determine the amount that they will receive for their supplement. The standard answer is that only OPM can determine how much the supplement will be and that it is based upon earnings under FERS.

The FERS retirement system is based on three components—a FERS annuity, Social Security entitlement and the elective Thrift Savings Plan. If a person retires with regular retirement earlier than age 62, they cannot start receiving Social Security until they become 62. To correct this shortfall in the retiree's income, the annuity supplement was created. The supplement is paid by OPM and not the Social Security Administration (SSA).

This supplement is what you would receive for your FERS civilian service from the SSA and is calculated as if you were eligible to receive SSA benefits on the day you retired. Eligibility for the annuity supplement continues *until* the earlier of the last day of the month before the first month for which you would be entitled to actual Social Security benefits, or the last day of the month in which you reach age 62. While it is figured on your SSA benefits, the Office of Personnel Management calculates the benefit. The FERS annuity supplement is paid *in addition* to any gross monthly FERS annuity benefit.

Eligibility for the annuity supplement

To be eligible for the supplement, you must retire *voluntarily on an immediate annuity* that is not reduced for age. This means you must have worked 30 years and have reached your minimum retirement age (MRA) or have 20 years service and be age 60.

Additionally, you may also receive the supplement if you retired involuntarily before attaining your MRA or voluntarily because of a major reorganization, reduction in force or an early retirement. The current Voluntary Early Retirement option being offered to letter carriers qualifies under these additional allowances. You will not, however, be eligible for the annuity supplement *until* you reach your MRA.

Note should be taken that, under these rules, if you

receive a *deferred benefit*, a *disability benefit* or an *immediate MRA+10 benefit*, you will not be eligible for the annuity supplement.

If your annuity has a Civil Service Retirement System (CSRS) *and* a FERS component, you can still receive an annuity supplement; however, you must have completed one full calendar year of service subject to FERS computation rules.

Computation of annuity supplement

The FERS annuity supplement is computed as if you were age 62 and fully insured for a Social Security benefit when the supplement begins. OPM first estimates what your full career (40 years) Social Security benefit would be. The amount of your civilian service under FERS is then calculated and the estimated full career Social Security benefit is reduced accordingly. For example: If your estimated full career Social Security benefit would be \$1,000 and you had worked 30 years under FERS, we would divide 30 by 40 (.75) and multiply \$1,000 x .75 (\$750). The result would be your FERS annuity supplement, prior to any reductions.

Again, remember that *only those years* worked under FERS count in this equation. The Social Security earnings statement that we receive has *all money* earned in their projections. If you have earnings outside or prior to coverage under FERS, those earnings would be removed in OPM's calculation. There is currently no method available to employees that will determine their annuity supplement prior to the actual retirement and computation by OPM.

Minimum level of earnings after retirement

The amount you may earn after retirement without affecting your FERS annuity supplement is determined by the Social Security Administration each year and it increases with the annual increases in average wages for the national workforce. The supplement has the same "earnings" limit as Social Security. Hence, earnings after retirement that exceed the SSA limit of \$14,160 for 2009 will be offset \$2 for each \$3 earned over that amount. The FERS basic benefit is not considered earnings when determining your earnings for the yearly earnings test. ☒